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## Foreign-Aid Program May Be Hamstrung by Budget

**Bush Program Faces  
Hit as Countries  
Near Large Deals**

By **MICHAEL M. PHILLIPS**

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WASHINGTON -- President Bush's signature foreign-assistance program is likely to run out of money this year, leaving in the lurch several poor countries that have labored to meet its strict eligibility standards, according to aid officials.

Mr. Bush introduced the Millennium Challenge program in 2002 as a new approach to fix the perceived failures of overseas-development assistance.


The grants would be large enough to transform the recipient nations' economic fortunes, he said then, and the money would go only to countries that met quantitative standards for honest government, free-market policies and generous social spending.



**John Danilovich**

Now the program's budget is expected to fall short of its projected needs by \$400 million to \$1 billion, depending on the outcome of congressional negotiations over the coming weeks. The crunch comes at a time

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when Morocco, Tanzania, Mozambique and several other developing nations are nearing agreements on huge aid packages.

"At a lower level of funding, [the program] will need to turn away countries that have developed sound proposals designed to assist millions of the poor -- such as microfinance programs that help women, and water, irrigation, and transportation systems that enable poor farmers to participate in the local economy," said John Danilovich, chief executive of the Millennium Challenge Corp., which implements the aid effort.

When the program was launched, the president promised to secure \$5 billion a year from Congress for his plan.

Instead, he has consistently asked lawmakers for less than that, and lawmakers have consistently provided less than he requested.

The Republican-led Congress failed to complete fiscal 2007 spending bills before this month's hand-over to the Democrats. It appears likely that the Democrats will hold this year's spending largely to 2006 levels and focus instead on the fiscal 2008 budget, which takes effect Oct. 1.

#### DEVELOPING PROBLEM

- **What's New:** President Bush's program to help the developing world faces a funding squeeze.
- **What's at Stake:** Congress is unlikely to increase funding for the program.
- **The Bottom Line:** Countries that have worked to earn development assistance may be left empty-handed.

"The Republicans' failure to get the job done will unfortunately leave a number of agencies in a situation that is less than ideal," said Rep. Nita Lowey, New York Democrat and chairwoman of the subcommittee that funds the aid effort.

The squeeze will likely provide the aid program with between \$1.14 billion and \$1.75 billion this year, compared with the \$3 billion Mr. Bush had requested. The president

again plans to ask Congress for \$3 billion for the program when he presents his 2008 budget next month, according to two people familiar with the proposal. Antipoverty advocates are lobbying furiously on the Hill to ensure that request is fully funded.

The Millennium Challenge Corp. was still struggling to get off the ground and facing stiff congressional criticism when Mr. Danilovich, a former oil-shipping executive and Republican activist, took over in late 2005.

He accelerated its grant-giving, and the agency now boasts 11 aid agreements totaling \$3 billion, including a \$461 million package for Mali and an equivalent deal for El Salvador.

Mr. Danilovich has met with scores of lawmakers to plead the agency's case. The program's demanding eligibility standards, he says, have given countries from Lesotho to Georgia an incentive to crack down on corruption and other impediments to economic growth.

Still, many lawmakers worry that the Millennium Challenge Corp., which is barred by Congress from employing more than 300 people, is paying more attention to signing deals than it is to ensuring that they are implemented well enough to actually promote growth and reduce poverty.

"There are very few champions [on Capitol Hill] and, I think, dwindling support," said Sheila Herrling, senior policy analyst at the nonpartisan Center for Global Development think tank in Washington.

Ms. Herrling said that some key lawmakers want to steer Millennium Challenge aid away from roads, airports and other infrastructure projects and toward health, education and other social programs.

**--David Rogers contributed to this article.**

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